

U.S. Small Business Administration



NEWS RELEASE

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HISPANIC-OWNED BUSINESSES TO BENEFIT FROM \$20 MILLION SBA-BACKED VENTURE CAPITAL FUND

WASHINGTON – A venture capital company newly licensed by the U.S. Small Business Administration (SBA) is the first regular Small Business Investment Company (SBIC) in the 40-year history of the program to base its investment strategy on investing in Hispanic-owned small businesses.

“Our new venture capital fund focusing on Hispanic-owned businesses is a first for the SBA,” SBA Administrator Aida Alvarez said today. **“It will bring first-rank investment experience to the pursuit of finding and financing promising small businesses owned by Hispanic Americans. With an investment pool of \$20 million, it will be a strong presence in the venture capital industry. Its investments are going to help create growth and new jobs in the Hispanic community, and a stronger U.S. economy overall.”**

The new investment company is Capital International SBIC, based in Miami, Florida. Capital International is notable in that it will focus its investment activity on Hispanic-owned or managed businesses – a market that has had difficulty obtaining access to venture capital.

Capitalized with \$5 million in private funds, Capital International will have potential access to as much as \$15 million more in leverage from SBA in the form of SBA-guaranteed debentures.

Capital International is a subsidiary of Capital International Holdings (CIH), a family of related financial companies in South Florida formed to provide financial assistance and brokerage services to primarily Hispanic-owned businesses. CIH is owned by two experienced Hispanic businessmen, John Zelaya and Gerardo Hammerer. Capital International will cover the venture capital segment of CIH's operations.

Capital International will make investments throughout the southeastern United States and Puerto Rico. The company is managed by Manuel Iglesias, a prominent and successful entrepreneur and investment banker.

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SBICs, licensed and regulated by the SBA, are privately owned and privately managed investment firms that use their own capital, plus funds acquired with SBA guarantees, to make investments in small businesses. SBICs provide risk capital in the form of long-term debt and equity financing to small businesses for their growth, modernization or expansion.

SBA venture capital companies help small, unproven companies in their early and difficult formative period, providing time to establish products, organizations and credit standing with suppliers and conventional lenders. SBICs make such investments – commonly thought of as higher risk investments – with the ultimate objective of investment returns in the form of capital gains.

The SBIC program currently has 325 licensees with a total committed investment pool of \$9.7 billion. SBICs have invested nearly \$20.5 billion in more than 116,000 small business financings since the program's inception in 1958.

SBIC investments have created well over one million new jobs, tens of millions of dollars in exports and billions of dollars in tax revenues that greatly exceeded the cost of the program. The program is cost effective for the taxpayers, providing jobs, economic growth and tax revenue at the federal, state and local levels.

Well-known companies that benefited from early SBIC investments include Intel, Federal Express, Apple and Compaq Computer. In fact, the federal income taxes generated in a typical year by Intel alone are more than enough to fund the SBA's entire budget for the current year.

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The U.S. Small Business Administration, established in 1953, provides financial, technical and management assistance to help Americans start, run, and grow their businesses. With a portfolio of business loans, loan guarantees and disaster loans worth more than \$45 billion, the SBA is the nation's largest single financial backer of small businesses. Last year, the SBA offered management and technical assistance to more than one million small business owners. SBA also plays a major role in the government's disaster relief efforts by making low-interest recovery loans to both homeowners and businesses. America's 23 million small businesses employ more than 50 percent of the private workforce, generate more than half of the nation's gross domestic product, and are the principal source of new jobs in the U.S. economy.

For more information on SBICs and other SBA programs, call the SBA Answer Desk at 1-800-U-ASK-SBA, or visit the SBA's extensive website at www.sba.gov.

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